Islamic Development Bank (IsDB) Group

OUTCOMES OF THE REGIONAL REVIEW SEMINAR ON



# REDUCING TRADE COSTS FOR INCLUSIVE SUSTAINABLE GROWTH

for the 5th Global Review of Aid for Trade

Geneva - Switzerland, 30 June - 2 July 2015

IRTI ICD ICIEC itfc



A Group photo of the participants in the IsDB's regional seminar on "Reducing Trade Costs for Inclusive, Sustainable Growth in Amman, Jordan from 21-23 April 2015"

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Contributions to those involved in preparing this report are highly acknowledged, including IsDB staff from the Cooperation and Integration Department, Country Department, Economic Policy and Research Department (ERPD), the International Islamic Trade Finance Corporation (ITFC), the Islamic Corporation for the Development of the Private Sector (ICD), the Islamic Research and Training Institute (IRTI), and the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC).

We also would like to record our deep gratitude to colleagues and friends from the WTO, OECD, UNDP, ITC ATU, UNECE and AfDB for their contributions in finalizing this report and their continuous cooperation with IsDB Group in implementing its trade related technical assistance programs.

Most importantly, we owe our deep gratitude to the Member Countries representatives for their substantive contributions to the Seminar. Last but not the least, we also want to place on record, IsDB Group's sincere thanks and appreciation to the Kingdom of Jordan for hosting the event and for the warmth and hospitality extended to all participants.

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## Message from the President, IsDB Group

It is indeed a great privilege and honour for the Islamic Development Bank (IsDB) Group delegation to participate in this very special gathering, the 5th Global Review of Aid for Trade Initiative. At the outset, I would like to express sincere thanks and appreciation to the World Trade Organization (WTO) for inviting IsDB Group to this event and for their great efforts in organizing it.

The title of this year's session, 'Reducing Trade Costs for Inclusive and Sustainable Growth', illustrates the evolution of the Multilateral Development Institutions' efforts from supporting trade liberalization, to enhancing its role as a locomotive of sustainable growth. For this purpose, IsDB Group has given utmost importance to the development of trade in and among its Member Countries, and has identified trade facilitation for enhanced regional economic integration as one of its strategic thrust. As the Islamic World's main regional development partner, the Islamic Development Bank (IsDB) Group has for over 40 years recognized the benefits of trade for its 56 Member Countries (MCs) in poverty reduction, growth and development. Furthermore, among the Multilateral Development Banks (MDBs), IsDB pioneered trade financing as an instrument for promoting regional economic cooperation.

In this regard, IsDB Group has seen the Aid for Trade Initiative as an investment for trade-led economic development. Within this perspective, more than half of IsDB's investment finance is dedicated to developing trade related infrastructure in Member Countries to improve transport and logistical connectivity among them and with the rest of the world. By the end of last year, the IsDB has financed infrastructure operations in member countries totalling about US$ 30 billion. While its active infrastructure portfolio reached US$15.9 billion for 190 operations, the Bank approved 51 projects for US$ 4.2 billion during last year only.

Besides, and taking into consideration the increasing part of SME exports in Member Countries' trade and their growing role in regional integration, IsDB Group has developed several programs aiming at supporting and promoting SMEs in Member Countries. IsDB Group's specialized entities, ITFC, ICD and ICIEC have extended important investment finance, trade finance facilities and investment and export insurance programs, all of which promote regional trade and help SMEs to overcome their supply side constraints and their limited access to finance.

I commend the WTO Director General Mr. Roberto Azevedo, on a wise selection of the theme for the 5th Global Review of Aid for Trade, and wish all the best for its successful conclusion. We take this opportunity to reaffirm our commitment on the Aid for Trade Initiative to the Global Community, and to extend our hand of cooperation to all of our development partners.

**Dr. Ahmad Mohamed Ali,**
President of IsDB Group



## Message from the CEO, ITFC/Chairman, GTRC

The International Islamic Trade Finance Corporation (ITFC), as the trade finance and trade development arm of IsDB Group, has been actively engaged in the AfT initiative since its establishment in 2008. ITFC's target to double its trade finance operations was part of the overall plan to design and implement comprehensive trade development programs under the theme of Aid for Trade, in order to assist Member Countries build their human and institutional capacities, enhance their competitiveness and connect them to regional value chains. These goals can be achieved by supporting their efforts in addressing supply side constraints in trade and production.

In trade finance, ITFC has achieved, since its inception, more than 100 % increase in its trade finance operations to more than $5 billion per annum, to reach a cumulative volume of US$25 billion in trade finance.
Regarding ITFC's Trade Development activities, the AfT initiative represents a good platform in designing ITFC's trade related assistance interventions in a holistic manner, which is being implemented under its regional AfT initiatives.

The Aid for Trade Initiative for Arab States is the first example of such holistic planning and collaborative efforts between countries, development partners and the donor community led by ITFC since 2012.
Experience has proven that the immediate challenges as well as benefits are coming from regional economic integration. For this reason, the AFTIAS aims at promoting economic development and sustainable growth through enhancing regional economic integration. On similar lines, ITFC had also initiated its efforts along with development partners to launch an AfT initiative for its SPECA Member Countries.

It is worth mentioning that the Islamic Development Bank Group, through a dedicated committee i.e. the IsDB Group Trade Related Issues Committee (GTRC), has created synergy among trade related activities at the Group level. This has also helped mainstream trade as a development tool for the IsDB Member Countries.

I seize this opportunity to express ITFC's full support to the WTO Director General Mr. Roberto Azevedo, for his efforts in pursuing the Aid for Trade agenda and for spotlighting the very important subject of trade costs, which represents a major handicap to the trade integration of many developing and least developing countries.

And finally, ITFC would like to wish success to the 5th Global Review, and strongly believes that it will take stock of what has already been done in terms of facilitating trade at national, regional and international levels. In this perspective, ITFC is looking forward to enhancing its cooperation with regional AfT Initiative implementation partners.



**Dr. Waleed A. Al-Wohaib**
CED, ITFC/ Chairman, GTRC

## Abbreviations

| | |
|---|---|
| AfDB | African Development Bank |
| AfT | Aid for Trade |
| AfTIAS | Aid for Trade Initiative for the Arab States |
| AMU | Arab Maghreb Union |
| ATU | Agadir Technical Unit |
| B20 | The Business Twenty |
| BPA | Business Process Analysis |
| CID | Cooperation and Integration Department |
| COMCEC | Committee for Economic and Commercial Cooperation |
| ECA | Export Credit Agency |
| EFS | Export Financing Scheme |
| G20 | The Group of Twenty |
| GCC | Gulf Cooperation Council |
| GCEL | Global Coalition for Efficient Logistics |
| GDP | Gross Domestic Product |
| GTRC | IsDB Group Trade Related Issues Committee |
| ICD | Islamic Corporation for the Development of the Private Sector |
| ICT | Information and communication technologies |
| ICIEC | Islamic Corporation for the Insurance of Investment and Export Credit |
| ILO | International Labour Organization |
| IRTI | Islamic Research and Training Institute |
| IsDB | Islamic Development Bank |
| ITC | International Trade Centre |
| ITFC | International Islamic Trade Finance Corporation |
| ITFO | Import Trade Financing Operation |
| LAS | League of Arab States |
| LDCs | Least Developed Countries |
| LDMCs | Least Developed Member Countries |
| MCs | Member Countries |
| MDB | Multilateral Development Bank |
| MENA | Middle East and North Africa |
| NMSG | New Millennium Standard for Growth |
| NTMs | Non-Tariff Measures |
| ODA | Official Development Assistance |
| ODF | Official Development Finance |
| OECD | Organisation for Economic Co-operation and Development |
| OIC | Organisation of Islamic Cooperation |
| PAFTA | Pan Arab Free Trade Area |
| SIDA | Swedish International Development Cooperation Agency |
| SMEs | Small and medium-sized enterprises |
| SPECA | Special Programme for the Economies of Central Asia |
| STED | Skills for Trade and Economic Diversification |
| TC&PP | Trade Cooperation and Promotion Program |
| TFA | Trade Facilitation Agreement |
| TIFM | Trade and Investment Facilitation Mechanism |
| UNCTAD | United Nations Conference for Trade and Development |
| UNDP | United Nations Development Programme |
| UNECE | United Nations Economic Commission for Europe |
| UNIDO | United Nations Industrial Development Organization |
| US$ | US Dollars |
| WTO | World Trade Organization |

## Introduction

Since its inception in 2007, the biennial Global Review of Aid for Trade (AfT) has become established as the pre-eminent multilateral forum for exploring trade and development issues. The 5th Global Review will take place from 30 June to 2 July 2015 at the WTO Headquarters in Geneva, Switzerland under the main theme: Reducing Trade Costs for Inclusive, Sustainable Growth.

The Islamic Development Bank (IsDB) Group has been actively engaged in the AfT initiative since its launch at the Sixth Ministerial Conference, held in Hong Kong in December 2005. IsDB Group believes that the ultimate objectives for developmental needs can be attained through this initiative. Furthermore, the global community can address the lingering issues of supply side constraints, especially in the Least Developed Member Countries (LDMCs) of IsDB.

In this context and on behalf of IsDB Group, the International Islamic Trade Finance Corporation (ITFC) and the IsDB Cooperation and Integration Department (CID) organized a Regional Seminar on 'Reducing Trade Costs for Inclusive, Sustainable Growth' in Amman, Jordan from 21–23 April 2015, to prepare IsDB Group's participation in the 5th Global Review. The Seminar was hosted by the Ministry of Trade, Industry and Supply of the Kingdom of Jordan.

The Seminar was attended by representatives from Egypt, Jordan, Iraq, Lebanon, Mauritania, Morocco, Palestine, Oman, Qatar, Saudi Arabia, Sudan and Tunisia. Representatives of Sweden, OECD, WTO, ITC, UNECE, UNDP, AfDB, ATU, IsDB, ICD, IRTI, and GCEL also participated in this event, which had been organized into different sessions. This allowed international organizations to present developments in trade related issues and their perspectives at the international level, and also for Member Countries to showcase their experiences and needs in terms of liberalizing trade, reducing costs and promoting exports.

The following report aims to reflect the essence of all the presentations and discussions that took place during the course of the Seminar, and ends with concrete proposals made by participants on "ways to move forward on the Aid for Trade Initiative". The reflections made in this report are by no means exhaustive, but try to capture the main points made under the different themes, and any omissions are thereby unintentional.




# IsDB's Experiences in Reducing Trade Costs

## 1- Overview

The OECD, provided a global overview of the Aid for Trade Initiative by highlighting its main objective, to provide supply-side capacity and trade-related infrastructure that beneficiary countries need to implement and benefit from WTO agreements and more broadly expand their trade. He showed that commitments continue to expand, from US$25.3 billion in 2005 to US$55.4 in 2013 – resulting in higher disbursements. Though the terms of assistance hardened in the past few years, 2013 showed a reverse, with an increase in grants and a decrease in loans.

As for the IsDB's Member Countries, it was noted that they are playing an increasingly significant role as an AfT donor, particularly in the area of economic infrastructure where commitments have increased more than four-fold between the baseline average between 2002–2005 and 2013. Commitments and disbursements to IsDB Group ODA-eligible Member Countries have also increased over this period. It was also highlighted that the most populous countries in this Group were the major beneficiaries; most notable being Turkey where almost US$8 billion of a total of US$12.8 billion was committed in 2013. In addition, middle-income ODA-eligible IsDB member countries received a significantly higher proportion of these funds compared to lower-income members – though the gap began to close as of 2013.

## 2- ITFC`s role as a provider of trade finance solutions for OIC Member Countries' needs

With a view to ensuring sustainable and effective trade financing and to mainstream trade as a policy development tool for attaining national policy objectives of Member Countries, the IsDB Group established the International Islamic Trade Finance Corporation (ITFC) in January 2008. ITFC was established with the objective of consolidating IsDB's trade finance activities under a single umbrella, to increase the efficiency of service delivery by enabling a rapid response to customer needs in a market-driven business environment.

The objective of trade financing operations of IsDB Group is also to foster economic cooperation by promotion of intra-trade. This is achieved by supporting development efforts of Member Countries through financing vital imports of much needed intermediate and capital goods.

IsDB financing of intra-trade operations started in 1977 and was a pioneer among multilateral development banks in the area of financing trade. Operations were undertaken through two major schemes, the Import Trade Financing Operation (ITFO) and the Export Financing Scheme (EFS). In addition, other entities of IsDB Group and specialized funds, as well as Treasury Department and ICD, also participate in and undertake trade financing activities.

H.E. Dr Waleed Al-Wohaib, Chief Executive Officer of ITFC and Chairman of IsDB Group's Trade Related Issues Committee (GTRC), stressed in his welcoming statement, the importance of the Aid for Trade (AfT) initiative in relation to the common goals of Organisation of Islamic Cooperation (OIC) Arab Member Countries to increase trade amongst them for the good of their people. He highlighted the "huge potential" of the Arab region, not only to increase internal trade, but also to increase their participation in world trade. He added that despite the economic richness of the human and natural resources of the Arab region, its vast and expanding market opportunities and distinguished geographical position, intra-Arab trade is far behind the aspirations.

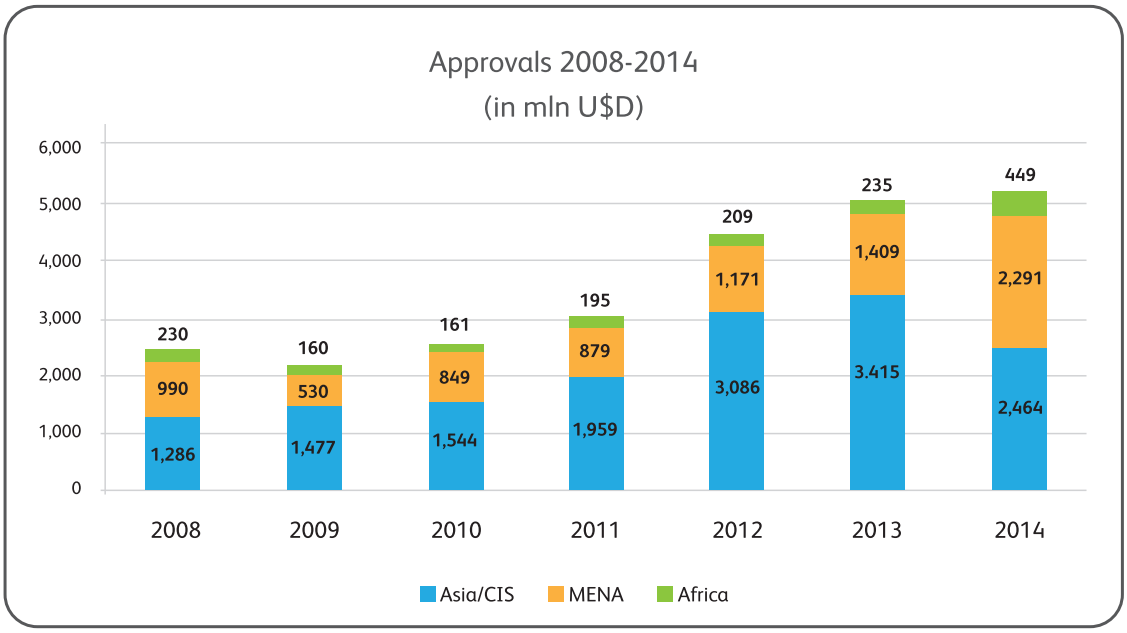
For this reason, the Aid for Trade Initiative for the Arab States (AfTIAS) launched in November 2013, could play a very important role in fostering intra-Arab trade and trade with the rest of the world. It could also contribute to overcoming challenges facing Arab States in finding solutions to intra-Arab trade barriers and obstacles in order to reduce its very high cost, and which is the subject of the 5th AfT Global Review of Aid for Trade. AfTIAS is considered an important international model of partnership, encompassing donors, international and regional institutions, to empower Arab States in trade development by building their competitiveness and success in international markets. In the second year of its Work Plan implementation, AfTIAS remains focused on specific interventions aimed at regional economic integration through better connectivity and linkages among Arab States.

In this perspective, the following projects were implemented during 2014.

- Skills for Trade and Economic Diversification (STED), implemented by ILO in Egypt.
- Enhanced performance of border control management at selected border posts in Egypt, Sudan, Saudi Arabia and Jordan (by UNDP).
- Capacity of the League of Arab States to promote regional trade integration strengthened (by UNDP).
- Knowledge by key stakeholders (private sector, public sector and civil society) of existing non-tariff measures and their impact on regional trade enhanced, and an action plan developed to eliminate such obstacles (by ITC): a project implemented in Tunisia, Morocco, Egypt, Jordan and Palestine.
- Capacity building and assistance to Comoros and Sudan in acceding to the WTO (by UNCTAD).

The Board of AfTIAS recently approved a new list of activities for 2015. In addition, three bankable projects are also in preparation to further enhance the performance of border control management at selected border posts in Egypt, Sudan and Jordan.

**Figure No 1 :** ITFC trade finance approvals from inception to end of 2014




This rich heritage of more than 30 years of trade finance experience by IsDB Group puts ITFC in a leadership position to foster socio-economic development, to set new benchmarks for trade financing and ethical based business standards, and to develop innovative Shariah-compliant trade financing instruments. Operating to world-class standards, ITFC promotes IsDB developmental objectives through its two main pillars, trade finance and trade development, to fulfill its brand promise of 'advancing trade and improving lives'.

In 2014, ITFC approved trade financing of US$5.2 billion and disbursement of US$2.8 billion. During the year, ITFC extended trade financing US$1.9 billion to LDCs, about 36 % of its annual approval. the inception of ITFC in 2008 untill the end of 2014, it has provided cumulative trade financing of US$25 billion to Member Countries .

As an Islamic finance institution, ITFC trade finance business has been substantially impacted by the contraction of international trade volumes and the high volatility of commodity prices, since Islamic finance principles direct genuine relationship between financing and transaction. As Figure 1 indicates, this is seen with the drop in ITFC trade finance approvals in 2009.

## 2.a - ITFC's Aid for Trade activities in the Arab and SPECA regions

ITFC, made a presentation focused on an analysis of the reality of inter-Arab trade, the main obstacles that hinder its growth and development, and the key determinants of inter-Arab trade costs. The presentation mentioned that to overcome the main obstacles that hinder trade in the Arab region there is a need to diversify the production and export base as well as enhance the infrastructure of trading countries, especially the transportation and communications networks.

ITFC referred to the recent study titled 'The cost of intra-Arab trade' emanating from the Talal Abu-Ghazaleh Forum, in collaboration with the League of Arab States. The presentation highlighted that it was the first time this topic was presented in an important study and its main recommendations could be used for further analysis in order to find a suitable solution under the AfTIAS project. The main recommendations were the following.

- Improve infrastructure in many Arab countries (roadways, electrical systems, ports, airport etc.).
- Develop a shipping network that links to railway lines and networks.
- Build suitable ports in a number of Arab states to increase their potential effectiveness.
- Remove obstacles which hinder storage, distribution and handling.
- Provide data and specifications required or other necessary measures to complete clearing goods from border controls as well as transit requirements.
- Consider e-trade as a mean to increase intra-Arab trade.
- Partnering with the private sector in decisions related to intra-Arab trade.
- Encourage Arab states' joint partnerships, especially those not tied to the US Dollar, in order to reduce fluctuations in exchange rates.

As per the AfT initiative for the United Nations Special Programme for the Economies of Central Asia (SPECA), ITFC indicated that it is finalizing the design of the project document with UNDP. The seven outputs of the project are grouped in two main components. The first component aims at reducing trade transaction costs through trade facilitation measures at national and regional level. The second focus is to add value to products, particularly in the agro-food industry by raising quality standards and improving efficiency in agri-food value chains.

It is worth mentioning that ITFC is planning to launch project implementation after mobilizing the required necessary funds.

## Box 1: The Aid for Trade Initiative for Arab States (AfTIAS)

*Economic integration and employment through trade!*

The Aid for Trade Initiative for Arab States (AfTIAS) is a multi-donor, multi-country and multi-agency program, aiming to foster Arab trade through enhancing enterprise competitiveness and facilitating trade.

**Objectives:**

- Enhance regional competitiveness through trade reforms
- Strengthen trade supply side and value chain integration
- Strengthen regional and sub-regional organizations' capacity to foster trade integration

**Partnership:**

- 7 donors
- 5 UN executing agencies 21 Arab countries
- 4 regional integration organizations
- 3 specialized and private sector entities

**Partner Countries:**

| | |
|---|---|
| LDCs (6): | Sudan, Mauritania, Yemen, Djibouti, Comoros and Somalia. |
| Middle income countries (9) | Agadir Agreement Countries (4): Egypt, Tunisia, Morocco and Jordan. |
| | Other Middle Income Countries (5): Libya, Lebanon, Algeria, Palestine and Iraq. |
| Higher income countries (6) | Gulf Cooperation Council (6): Saudi Arabia, Bahrain, United Arab Emirates (UAE), Oman and Qatar. |

**Main Program elements:**

**OUTCOME #1: ENHANCE REGIONAL COMPETITIVENESS THROUGH TRADE POLICY REFORM AND TSI EFFICIENCY**

- Output #1: Trade support institutions (TSI) more efficient in promoting regional trade
- Output #2: Regional Quality Infrastructure Strategy adopted
- Output #3: Regional business environment improved through reduction of regional barriers to trade

**OUTCOME #2: STRENGTHEN TRADE SUPPLY SIDE AND VALUE CHAIN INTEGRATION**

- Output #4: Strengthened production and trading capacity of SMEs in priority export sectors
- Output #5: Value chains integrated among Arab countries
- Output #6: Skills development strategies integrated into sectorial policies

| | |
|---|---|
| UNDP | United Nations Development Programme (UNDP) |
| ILO | International Labour Organization (ILO) |
| International Trade Centre | International Trade Centre (ITC) |
| UNCTAD | United Nations Conference on Trade and Development (UNCTAD) |
| UNIDO | United Nations Industrial Development Organization (UNIDO) |

| Donor contributions: | US$ million |
|---|---|
| • Kingdom of Saudi Arabia | 3.0 |
| • State of Kuwait | 2.0 |
| • Kingdom of Sweden | 1.5 |
| • Arab Republic of Egypt | 0.5 |
| • Islamic Development Bank | 1.0 |
| • International Islamic Trade Finance Corporation | 1.0 |
| • UNDP | 1.0 |
| Total | 10.0 |

**OUTCOME #3: STRENGTHENED REGIONAL AND SUB-REGIONAL ORGANIZATIONS' CAPACITY, TO FOSTER TRADE INTEGRATION**

- Output #7: Intra-Arab trade development strategy developed and endorsed
- Output #8: Strengthened capacities of LAS, GCC, ATU and AMU to implement PAFTA.

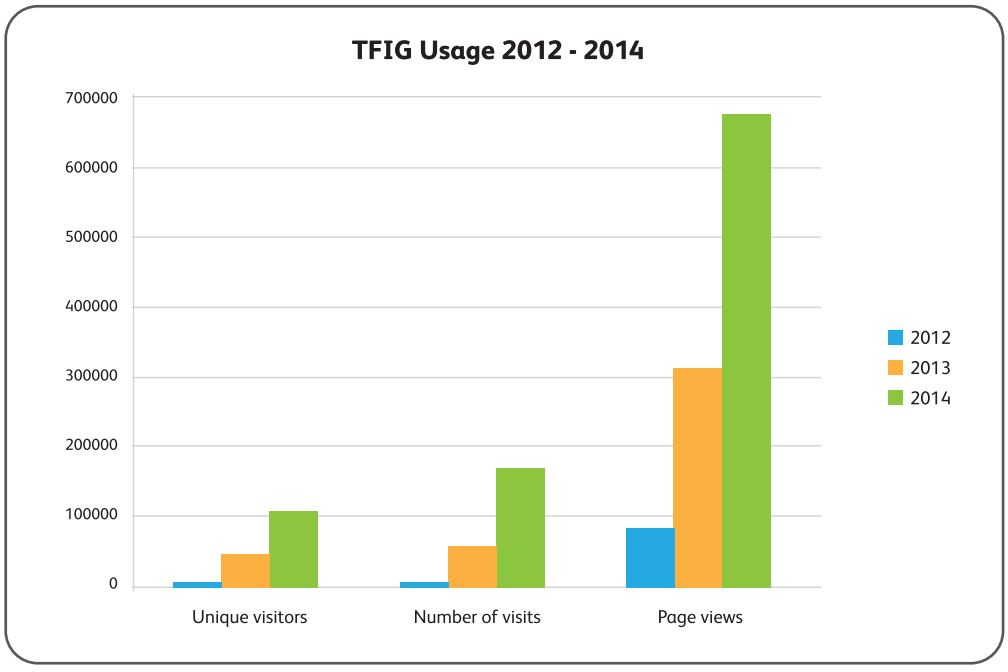
## 2.b- Launching of the Arabic version of the Trade Facilitation Implementation Guide by UNECE and ITFC

ITFC, member of IsDB Group in collaboration with UNECE, launched the Arabic version of the Trade Facilitation Implementation Guide. This is a key training tool for trade facilitation policy makers and implementers and for groups such as the National Trade Facilitation Committees that will be established under the WTO Trade Facilitation Agreement.

UNECE made a presentation about the Guide, highlighting that there has already been considerable increase in its use in the languages which are currently available (English, Russian, French and Spanish), reaching almost 700,000 hits in 2014. The Arabic version will further increase the audience and global reach.

UNECE demonstrated this web-based, wiki styled and interactive tool, announcing that training of trainer activities are ongoing for interested countries. Furthermore, an Arabic version of the training guide is being prepared for future training programs to be organized by ITFC in collaboration with international trade organizations.

**Figure No. 2:** TFIG usage 2012–2014



## 3- Trade facilitation for inclusive and sustainable growth in IsDB Member Countries, ERPD

The aim of the presentation given by the IsDB's Economic Research and Policy Department, was to discuss the role of trade facilitation in promoting inclusive growth in IsDB Member Countries. The presentation emphasized that the importance of trade facilitation to growth is reflected mainly by the fact that intermediate goods account for more than 50 per cent of total trade and that trade in intermediates is more sensitive to trade barriers than finished goods. This means that trade facilitation is linked directly to the production process, and therefore, to productivity. Moreover, the emergence of complex global and regional supply chains has reinforced the importance of improving trade facilitation measures and promoting transparency in trade activities. Finally, trade facilitation is especially important for SMEs, given their relatively small scale of operation.

The presentation explained that moving goods across borders quickly and cheaply is essential for firms to be competitive and for countries to boost trade and benefit more from the global economy. The relationship between reducing trade costs and economic development is justified by the fact that high trade costs constrain the economic advancement of many developing countries by impeding their ability to take full advantage of world markets. Reducing trade costs is necessary, to provide a reliable, transparent and predictable environment for the movement of goods and services across borders. Furthermore, reducing trade costs also help to create more business opportunities, leading to job creation and skills development, and improving international supply chain connectivity.

The presentation included data showing that IsDB Member Countries' contribution to global trade is still relatively low, and that there is a high potential to promote their contribution to global trade by improving trade facilitation. Despite a net improvement in intra-regional trade, trade costs for IsDB Member Countries remain high, as is shown by different trade enabling indicators.
The conclusion of the presentation is that for IsDB Member Countries to integrate into global value chains, to promote inclusive and competitive trade and to boost economic activity, the following measures need to be adopted:

1. cut down unproductive and complicated aspects of trade;
2. ensure that every stage of the production chain functions efficiently and that there is no friction to trade;
3. simplify, harmonize, standardize and monitor trade processes;
4. improve information and communication technologies (ICT);
5. promote private-public collaboration;
6. increase dependability, efficiency and effectiveness of trade networks; and
7. develop cross-border trade zones.

## 4- Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)'s role as a leading Export Credit Agency (ECA) among OIC Member Countries

Founded in 1994, the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), a member of IsDB Group, provides export credit insurance to member states across the Middle East, North and sub-Saharan Africa, and Asia. Apart from export credits and investment guarantees, ICIEC provides re-insurance facilities to export credit member agencies. A special feature of ICIEC is that it provides insurance facilities to exporters and investors in accordance with Shariah principles.

Since inception, ICIEC has facilitated trade and investments close to US$25 billion and has generated a cumulative premium of US$139 million to date. It has provided export credit and investment insurance products that have protected policy holders from both political and commercial risks arising from cross-border trade and capital flows.

The Corporation recently introduced new products, enhancing its outreach to the market. Thus, ICIEC is now able to provide export credit insurance services to exporters from non-member countries supplying capital equipment, infrastructure related projects, and food security related items to Member Countries on a selective basis. In addition, ICIEC may insure domestic sales of exporters in Member Countries.

## 5- IRTI's interventions in enhancing intra-OIC trade

The Islamic Research and Training Institute (IRTI), delivered a presentation entitled 'IRTI's interventions in enhancing intra-OIC trade'. It started with a synopsis of IRTI, its four divisions and various activities, ranging from research, advisory, training, and knowledge and information.

The presentation highlighted the relationship between IRTI and intra-OIC trade, explaining that IRTI does not contribute directly towards the enhancement of intra-OIC trade in the way that the Islamic Trade Finance Corporation (ITFC) does; however, it does contribute indirectly through its involvement with the Group Trade Related Committee (GTRC) and through its research and training activities.

In the same presentation, IRTI provided an overview on the current status of intra-OIC trade, and deliberated in more detail its role in improving this situation. Various research papers published by IRTI on the topic, were presentd focusing on the on-going joint research program on Business Process Analysis (BPA) with GTRC, ITFC and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). The presentation explained that BPA is a very important tool for diagnosing constraints, barriers, and difficulties facing trade. It is the first step among others for finding solutions to bottlenecks, issues and problems of trade

facilitation.

The presentation concluded with the following recommendation: “In order to facilitate intra-OIC trade further, enhance its sustainable growth and development and benefit from this in improving the balances of trade, optimally employing the available human and financial resources and enhancing the OIC economies at large, there is a need to first diagnose the difficulties, constraints and obstacles facing intra-OIC trade. To do this, it is very important to start from the beginning by taking the first step of the process, which is to conduct BPA studies between countries, similar to the one IRTI, GTRC, ITFC and UNESCAP sponsored.”

## 6- ICD's programs and initiatives to reduce trade costs

The Islamic Corporation for the Development of the Private Sector (ICD), the private sector arm of IsDB Group, presented its programs and initiatives for reducing trade costs that cover three main activities of the organization. Firstly, the ICD provides finance for infrastructure and trade financing projects, which reduces transportation and financing costs for the private sector entities. Since inception, ICD has approved financing of US$3.5 billion, of which 40 per cent was allocated to infrastructure, industrial and trade development projects. Secondly, ICD has dedicated programs and activities for promoting regional integration, including the setting up regional funds which bring together investors for promoting regional integration, and organizing investment and trade forums. Funds under the management of ICD were more than US$600 million in 2015. Thirdly, ICD offers capacity development and advisory services to build the enabling environment in its member countries.

## Box 2: Islamic Corporation for the Development of Private Sector (ICD)

ICD was established in 1999 by the IsDB to serve as a catalyst for the private sector in developing countries through the provision of affordable capital, knowledge, and support for partnerships. Ever since its establishment, ICD has funded investment projects, improved business climates, and promoted cross-border financing among its member countries.

Since its inception, ICD has funded projects in sectors including telecommunications, transportation, education, agribusiness, general manufacturing, pharmaceuticals and private health care sectors. ICD funds projects based on their contribution to economic development, considering factors such as transfer of technology, employment creation, export promotion and poverty alleviation. ICD's accumulated financing approvals reached US$3.4 billion by the end of 2014, allocated to more than 270 projects.

In addition to investment activities, ICD also provides advisory services to financial markets, governments and corporate sectors, to support the economic development of its member countries. In order to develop Islamic finance products and capabilities in the private sector, ICD provides advisory services to financial institutions for establishing new Islamic finance entities and Islamic windows. In addition, ICD provides advisory services to member country governments in different areas including issuing sukuk, developing sector development strategies, and setting up special economic zones (SEZS).

The investment and advisory services provided by ICD contributes to the development of intra-trade among its member countries through four main ways:

1. SME financing for trade: Helping SMEs in ICD member countries to access finance and expand into new markets is one of the major priorities of ICD. For this purpose, ICD has been providing line-of-financing and equity investments to financial institutions that are funding export activities of SMEs. One recent ICD initiative was the establishment of SME Funds for SMEs in Saudi Arabia, to strengthen the capabilities of SMEs for increasing their exports. ICD also aims to create new SME Funds for other member countries in collaboration with other MDBs and local development institutions.

2. Financing Infrastructure Projects: ICD provides finance for infrastructure projects, which facilitates trade among its member countries and reduces transportation costs for private sector entities. Since inception, ICD has approved around US$500 million in financing for developing the infrastructure sector in its member countries.

3. Contributing to regional integration: ICD has dedicated programs and activities, which contribute to regional integration of its member countries. These include setting up regional funds, which bring together investors for promoting regional integration, and organizing investment and trade forums. Funds under the management of ICD surpassed US$600 million in 2015.

4. Capacity development and advisory programs: ICD offers capacity development and advisory services to build the enabling environment in its member countries. One of the advisory services aims to help member countries to set up special economic zones and industrial zones through the provision of regulatory advice, implementation support and financial advice.

## 7- Islamic Development Bank (IsDB) efforts to reduce trade costs

Infrastructure development has traditionally been a key strength of IsDB and has gone farther than most other Multilateral Development Banks (MDBs) in prioritizing this area. Almost 80 per cent of requests for IsDB financing from Member Countries are in infrastructure sectors – energy, water, transport and telecommunication. This reflects the significant infrastructure financing gap that exists in Member Countries and the increasing realization that infrastructure development is vital for improving people's lives.

Since its inception, IsDB has financed approximately ID 20.2 billion (US$34 billion) in infrastructure operations in its Member Countries, 75 per cent, or US$22.3 billion of which, has been provided in the last eight years (2006–2014), This is a significant scaling up as a direct response to helping Member Countries to meet their increasing infrastructure financing needs, and enabling them to effectively compete in an increasingly globalized world.

The active infrastructure portfolio of IsDB reached 190 projects for US$15.9 billion, of which 25 per cent has been disbursed. during the last year, the Bank approved 51 infrastructure operations for US$4.2 billion, which financed electricity generation and transmission, transportation, and water and sanitation infrastructure. In 1435H, energy accounted for most infrastructure financing (44.9 per cent), followed by transportation (33 per cent), water and sanitation (16.1 per cent), industry and mining (5 per cent) and information and communication (1 per cent).

The transport sector, as an indispensable catalyst for accelerated growth and economic development, continues to remain one of the highest priorities of IsDB Member Countries. Transport sector projects approved by IsDB effectively contribute to the economic prosperity and social well-being of Member Countries and play a strategic role in the opening up of peripheral, isolated and landlocked countries and regions.

In accordance with IsDB Group infrastructure development priorities, transport financing activities concentrated on road, railway and aviation sector developments, particularly for the least developed countries in sub-Saharan Africa. The overarching goal has been to promote regional integration among neighboring countries. Transport sector projects approved in 1435H amounted to ID 909.5 million (US$1.4 billion). The bulk of IsDB's transportation sector financing in 1435H went to six African member countries – Burkina Faso, Cameroon, Chad, Mali, Niger and Uganda – to develop their road transport networks.



# National Policies And Programs Aimed At Reducing Trade Costs

One aim of the Seminar was to hear AfTIAS beneficiary countries' views on the best ways to reduce trade costs and their expectations from the Initiative, in preparation for the 5th Global Review of Aid for Trade. In addition, the Seminar was an opportunity for participating countries to share and learn from each others experiences in the field of reducing trade cost and its impact on sustainable growth. Country presentations during the Seminar are summarized below, highlighting their main needs and expectations.

## 1.JORDAN

The presentation from Jordan focused on the practices of the Jordanian Customs Department in terms of Trade Facilitation, Risk Management and a Golden List Program aiming at giving advantages and incentives to listed member companies. The improvements in customs practices also include the Single Window Procedure, Products Electronic Tracking and The Advanced Ruling Procedure, which consists of providing the right information to importers before the arrival of their products.
The needs expressed by the Kingdom of Jordan included the following:

- Pre-arrival processing.
- Activation of the clearing of products at border custom points.
- Adequate equipment for all laboratories.
- Financing of a study to evaluate the situation of the Single Window Program in Jordan, in order to reach 'World Class', based on international practices.
- Establishing cold storage facilities at authorized border points.
- Establishing information centre managers with dedicated and qualified executives.

## 2- EGYPT

Egypt's presentation highlighted their country's vision within the framework of Aid for Trade.

- The importance of investment projects and especially infrastructure projects, including roads, ports and telecommunications, and road networks, to identify linkage mechanisms between beneficiary countries and global markets.
- Building productive capacities.
- Developing laboratories and testing laboratories for supply chains to increase competitiveness in export markets.

Future projects will focus on the transport and logistics sector and transport and border procedures.

## 3- IRAQ

Iraq made a statement highlighting the following needs.

- Iraq is looking to have more support and technical assistance to accelerate its accession to the WTO.
- Iraq appeals to the OIC and to IsDB to include the country in training programs organized in collaboration with other international organizations.
- To provide more support to WTO Observer countries, especially concerning technical assistance programs and specialized training courses.

## 4- LEBANON

The presentation from Lebanon focused on the current trends in Lebanon's trade as well as the developments in trade and transport facilitation.

The needs expressed by Lebanon include the following project proposals.

- Supply chain studies and those on policy reform and food traceability.
- Technical assistance to train stakeholders on trade negotiations.
- Institutionalizion of the 'Registration-as-Licensing' rule to minimize waiting time for licenses after a company is officially registered.
- Trade liberalization impact assessments.
- Service sector liberalization and benefits/costs of liberalization on the various service sectors.
- Parliamentary legislative support.
- Drafting of a three-year master plan for trade facilitation, including financing and technical assistance, and capacity building requirements.

## 5- MAURITANIA

The Mauritanian representative made a statement highlighting the need for and requesting an analysis to identify the real weaknesses of trade promotion mechanisms, and based on the results, to develop programs capable of promoting and facilitating trade.

## 6- MOROCCO

The recommendations of the Kingdom of Morocco were as follows.

**Aid for Trade mechanism**

- To conduct a study to identify the main achievements but also the main obstacles that prevent concerned countries from best benefiting from it.
- The importance of differentiating Aid programs intended for development with those for trade.
- To coordinate the cooperation between the Aid for Trade Mechanism and the project management session within the COMCEC.

**Moroccan needs**

- To provide adequate support regarding export promotion, to help SMEs export their products to foreign markets and increase Morocco's exportation offer.
- To improve the business environment for financial service, export credits service and investment guarantee companies and insurance services.
- The Strengthening of public private partnerships.
- To increase technical support related to the organization of workshops and seminars dealing with trade facilitation and financing.

## 7- Palestine

The recommendations of the State of Palestine are as follows.

- To support the competitiveness of Palestinian products.
- To participate in building up a Palestinian Trade System.
- To support Palestinian SMEs and provide financing for these companies.
- To help in supporting Palestinian Standards and Specifications.
- To support the agriculture sector.
- To promote investment in areas threatened by Israeli army confiscation, especially in agricultural areas.

## 8- QATAR

Qatar's presentation focused on its experience on reducing trade costs and facilitating trade. It mentioned the Mega Projects aimed at further upgrading Qatar to facilitate trade and promote economic growth. The Qatari representative indicated that his country has taken further measures to improve its business environment by introducing initiatives focused on supporting overseas investors, including the following.

- Single window registration by the Ministry of Economy and Commerce.
- The Qatar Custom Clearance Single Window.

## 9- SUDAN




Sudan made recommendations to reduce trade costs for inclusive and sustainable growth on behalf of the least developed Arabic countries. Sudan claimed that there are many opportunities and initiatives available to countries and donator organizations, which can be summarized in the following points:

- Increasing integration, which depends on products and participation in regional and international trade and use of trade as a tool for economic development.
- The importance of regional integration for improving incomes and poverty alleviation.
- Border transit projects in the Aid for Trade Initiative for Arabic States, assisting in economic reforms and integration and labour employment.
- Sudan works with the Aid for Trade Initiative for Arab States for the development of its Eshket and Arguin borders, which connect Egypt and Sudan.
- Technical and logistical support for all trade issues.
- Assisting Sudan in its WTO accession process.

## 10- TUNISIA

Tunisia's presentation gave an assessment of the actual trade situation and made the following recommendations:

- The importance of guaranteeing the efficiency of Aid for Trade in improving access of developing country products to markets and realize inclusive and sustainable development.
- The need for assuring transparency by establishing a website containing the funds available and the projects that can be financed by them.
- The need to identify clear procedures to be applied by developing and least developed countries to benefit from aid for trade schemes.
- Establishing a fund dedicated for Aid for Trade projects.

As per the Aid for Trade Initiative and from Tunisia's point of view, the initiative should focus on the following.

- Projects that improve productive capacities and competitiveness, in particular in the private sector.
- Providing the private sector with appropriate mechanisms and tools to increase knowledge and responsiveness to changes in the business environment.
- Significant investment in basic infrastructure, including ports, airports, roads, borders, and telecommunications
- Improve infrastructure quality by improving laboratory capacities.
- Customs and border procedures improved in border agencies such as health, quarantine agencies and agencies administrating SPS measures, in order to improve supply chain performance, particularly for agri-food value chains.



# Internatonal Organizations' Efforts to Address the Issue of Reducing Trade Costs

## 1. OECD overview of the Aid for Trade Initiative and the outlook for global and regional aid for trade flows

The OECD reiterated that reducing trade costs is important. Globally, enough funds are available due to an increase in support for trade facilitation. Ideally, such funds should be dispersed through priorities identified in national strategies. However, practice shows that donors have their own priorities; and fortunately, Aid for Trade is one of them. Though resources have been mobilized, matching these funds to developing country priorities is still a problem, and this is an area where the Aid for Trade Initiative still needs to work on. The WTO is looking at ways to help developing country needs for trade facilitation match donor support through the Trade Facilitation Agreement Facility. But being a smaller Fund, it will surely be easier to manage.

OECD intervention concluded by providing some best practices.

- Regional approaches should be explored.
- Multi-donor programs have shown great success, referring to the work of Trade Mark East Africa. However, the challenge with these programs is making the link to poverty reduction.
- Reach out to South-South partnerships, as emerging economies have a wealth of funds that can be tapped into.
- It is much cheaper to use triangular cooperation, and Chile's work for Central America is a good example.
- Look into the UNIDO Trade Capacity Programme.
- Focusing on trade costs make is easier to attract donor funding due to their interest in private sector development.

**Figure No. 3:** Continued growth of Official Development Finance for trade

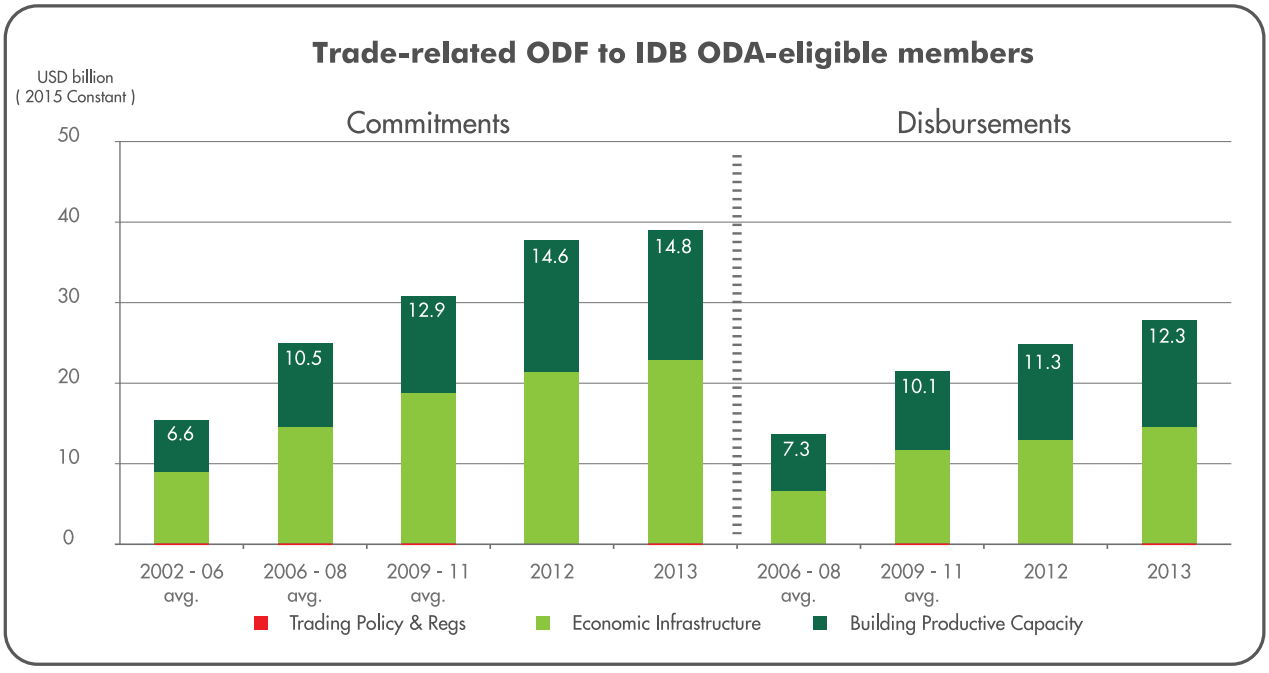
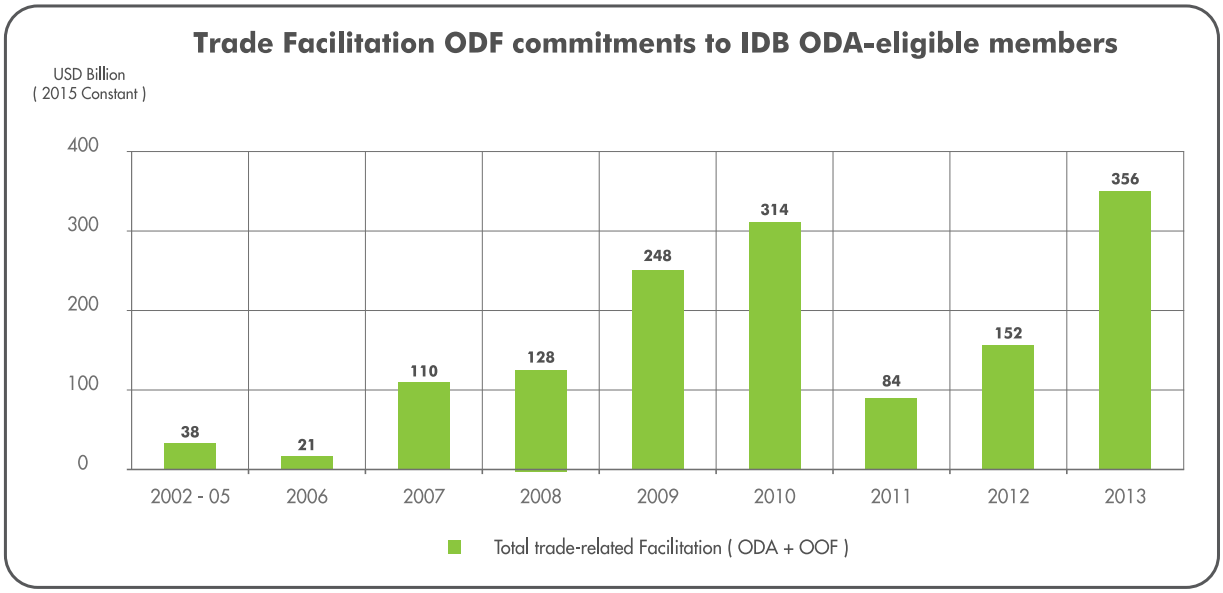


**Figure No. 4:** Support to trade facilitation highest ever in 2013



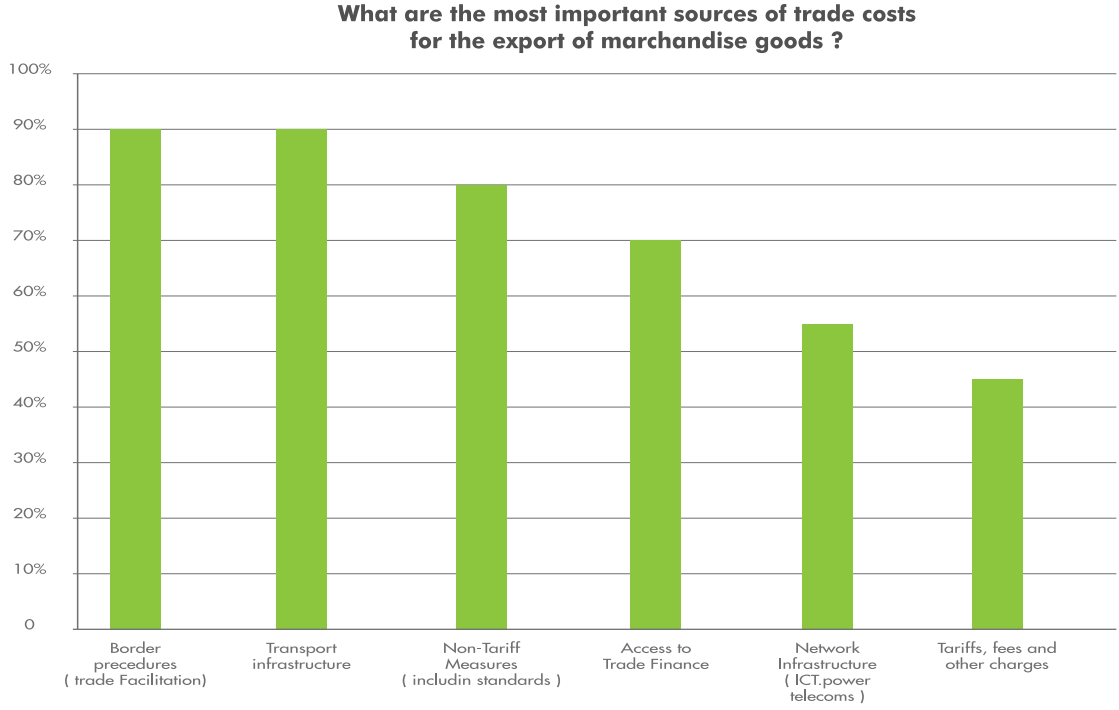

## 2. WTO Overview of the 5th Global Review monitoring and evaluation exercise results for IsDB Member Countries

The WTO delivered another presentation highlighting results from the OECD/WTO monitoring and evaluation exercise on reducing trade costs, from the perspective of 20 IsDB Member Countries. Though all respondents indicated that the issue of trade costs was addressed in their national strategies, challenges remained. The most important sources of trade costs for exported goods were border procedures (trade facilitation), transport infrastructure and non-tariff measures, whereas for service exports, network infrastructure and transport infrastructure were the main issues. Countries saw customs reforms and upgrading transport infrastructure as the types of actions with the most positive results in reducing trade costs. However, it was noted that to achieve success, these actions needed to be coupled with political engagement and commitment by national governments, private sector engagement, and commitment and the alignment of donor support with national priorities.

The presentation reported on the questionnaire section on the Trade Facilitation Agreement that gathered views of Member States on the potential of the agreement to reduce trade costs, and 95 % of respondents indicated that they plan to or have already sought Aid for Trade support to help implement the TFA when adopted. Support was required particularly for the implementation of specific TFA provisions, specifically for border agency cooperation and the publication and availability of information.

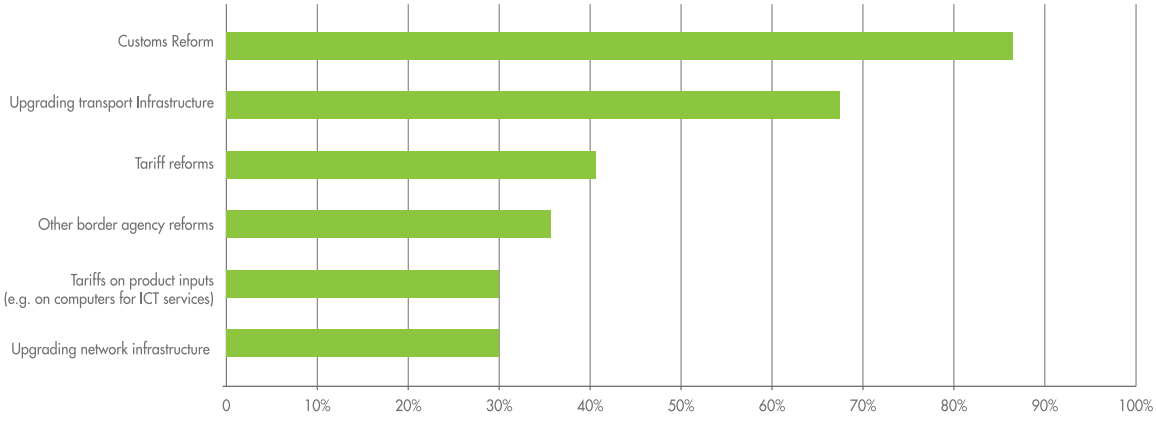
In this regard, two case stories on initiatives to reduce trade costs were presented; (i) establishment of a single window for ICT products in Tunisia and (ii) upgrading the Dakar container terminal by Dubai Ports World. An aggregate analysis of all the cases showed that these initiatives helped to increase merchandise exports and imports, and reduced customs and other border agency clearance times and costs.

**Figure No. 5:** What are the most important sources of trade costs for the export of merchandise goods?




Yemmens exports to the Gulf Countries face border processing and non-tarriff obstacles without appropriate justifications.
**-Ministry of Trade and Industry, Yemmen**

**Figure No. 6:** Type of actions with most positive results in reducing trade costs




**These actions should be coupled with (amongst others)...**

- Sustained political engagement and commitment by national authorities.
- Private sector engagement and commitment.
- Alignment of donor support with national priorities.

**... to achieve success**

## 3- Aid for Trade, strengthening the private sector to increase supply capacity

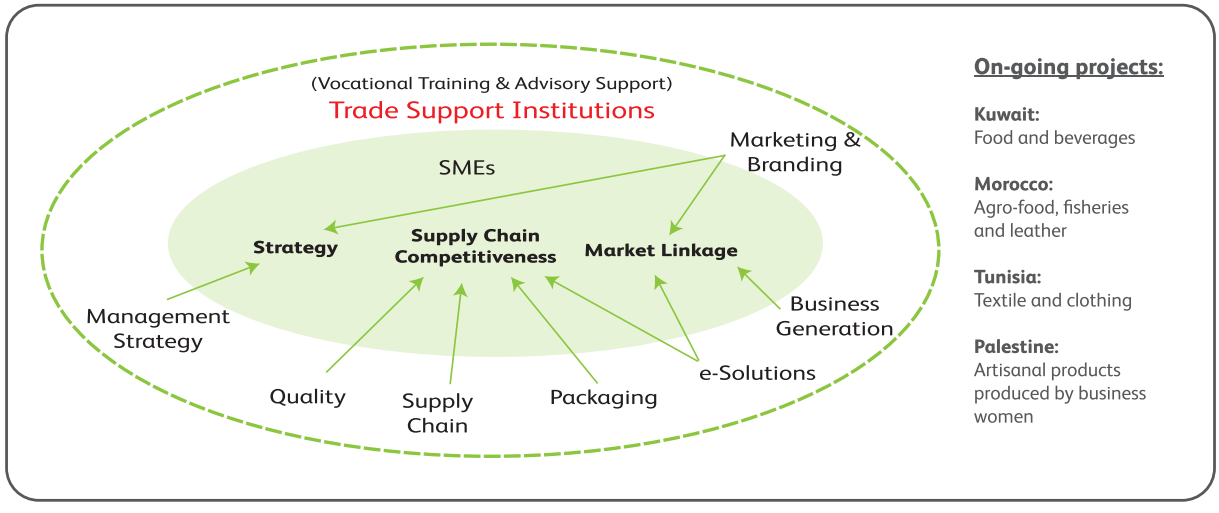
The International Trade Centre (ITC), highlighted the trade development challenges faced in the MENA region, and the ITC's programmes to increase the supply capacities of the private sector. In its presentation in the seminar, ITC recalled results from the 4th Global Review of Aid for Trade which showed that the private sector still faces challenges to enter and move up value chains, particularly with access to finance, transport costs and capacity, and the business environment.

The presentation highlighted that the MENA region has failed to take advantage of trade opportunities, with a global share of non-oil exports remaining below 5 % between 1999 and 2010. Challenges in the region include poor business environments, limited diversification in terms of products and markets, limited competitiveness in global markets, limited institutional capacity and offer of trade support services, and low levels of regional integration. This, it has resulted in non-inclusive economic growth (especially regarding women and vulnerable groups), youth unemployment (average 25 per cent), and disparities in development across countries (oil exporting to LDCs) and across regions in the same country.

The presentation gave an overview of the ITCs Aid for Trade work in the Arab region. ITCs regional projects through the Aid for Trade Initiative for Arab States focuses on addressing trade obstacles and promoting e-commerce. The ITC also provides assistance at the national level. Examples were given on interventions in textile and clothing in Tunisia, halal products in Morocco, food and beverages in Kuwait, and artisanal products produced by women in Palestine.

The presentation concluded by recommending that Aid for Trade to the MENA region should focus on; (i) improving the business environment and infrastructure, (ii) alleviating trade obstacles and reducing trade costs, and (iii) increasing supply capacity to meet MENA region demand and requirements. Furthermore, actors should implement customized approaches to promote private sector development and innovative entrepreneurship involving youth. Finally, there should be a focus on regional integration and linking to regional value chains.

**Figure No. 7:** ITC approach to building international competitiveness in SMEs



## 4-The WTO Trade Facilitation Agreement: A global tool for trade facilitation

H.E. Mr Yonov Frederick Agah, WTO Deputy Director General, noted that in a world of integrated production and global value chains, it was not sensible to painstakingly liberalize without equally ensuring that goods can cross borders efficiently. Such facilitation reforms critically depend on support by all partners at the global level, due to the interconnectedness of global trade, and the WTO Agreement on Trade Facilitation deals with just this.

The importance of this agreement is explained by the following two factors. Firstly, it is the first multilateral WTO Agreement successfully concluded in almost two decades – and the very first Agreement adopted under the auspices of the World Trade Organization. Secondly, this Agreement has teeth – it can effectively be enforced. At the same time, it is flexibly geared towards the needs of our diverse membership, placing emphasis on capacity building and a tailor-made approach.

Whilst the benefits of the Agreement are beyond dispute, the Agreement still requires the support of two-thirds of the membership to enter into force. The ball is now in the hands of domestic stakeholders who have to get the Agreement through their domestic ratification processes for it to be successfully implemented. Only then can the TFA provide benefits. The good news is that donors on all sides have stepped up their support programs on trade facilitation and stand ready to roll them out.

In his statement at the opening ceremony, H.E Mr Yonov Frederick Agah of the World Trade Organization focused on three areas.

- An overview of the Aid for Trade initiative, including IsDB Group's important role.
- The 5th Global Review of Aid for Trade, its monitoring and evaluation, and notably, the contribution this exercise can make to implementation of the newly signed Trade Facilitation Agreement.
- Expectations of the Seminar feeding into the 5th Global Review, by highlighting the issue of trade costs in IsDB Group's Member States.

It is worth recalling that the substantive objective of the Aid for Trade Initiative is to mobilize resources for building supply capacity and trade-related infrastructure, and Aid for Trade commitments have more than doubled from US$25 billion in 2005 to US$55 billion in 2013. He commended IsDB Group's work in the areas of trade finance and trade promotion, as well as its contributions to Global Reviews.

In reference to the theme of the 5th Global Review of Aid for Trade as 'Reducing Trade Costs for Inclusive, Sustainable Growth', Mr Agah reminded participants that Global Reviews were based on a monitoring and evaluation exercise, and that 20 IsDB Member Countries responded to the 5th Global Review questionnaires circulated by the organization. Preliminary results show that 90% of these countries consider customs and other border measures (i.e. trade facilitation) and transport infrastructure, as the most important sources of trade costs for exported goods, followed by non-tariff measures. The importance of the new Trade Facilitation Agreement was underscored, and which contains provisions expediting the movement, release and clearance of goods, including goods in transit.

## 5- UNDP current efforts and future plans in reducing trade costs in the MENA region

The UNDP presented some of the projects it is engaged in, in the MENA region, through the Aid for Trade Initiative for Arab States. It specifically highlighted the trade and transport corridors they were helping construct in the region. Other projects include the following.

- The formulation of a Road Map for establishing a National Single Window System in Egypt.
- The ongoing concept paper on trade diversification and export promotion in Saudi Arabia.
- The formulation of a policy paper on trade development for Algeria.
- Partnering with the Moroccan Ministry of Industry, Commerce, Investment and Digital Economy on border crossings between Morocco and Mauritania.
- Partnering to strengthen functions, responsibilities and institutional set up of the existing national secretariat of Trade and Transport Facilitation.
- Organizing a regional workshop on cross-border facilitation, including Egypt, Jordan, Saudi Arabia and Sudan, to discuss and share perspectives for enhancing border management and cross-border cooperation along the regional trade and transport corridor.
- For the period 2015–2016, UNDP shall implement a number of programs focusing on: trade connectivity and trade policy reform, trade institutions capacity, and partnership engagement.

## 6- Africa Trade Fund: A tool for regional economic integration, mechanisms, objectives and implementation

The African Development Bank (AfDB) delivered a presentation describing Africa's GDP growth at an average of five per cent per year. Drivers of this growth include demography, governance, technology, natural resources, agriculture and the private sector. However, infrastructure needs to be addressed to sustain this growth, with some US$45 billion required to fill Africa's infrastructure gap. Infrastructure financing and trade facilitation are AfDB Group's approaches to reduce trade costs in the region. The Africa Trade Fund was established in 2012 to deal with trade facilitation bottlenecks in Africa, and seeks to be the main assistance mechanism to implement the Trade Facilitation Agreement in African countries.

The Africa Trade Fund comprises of three pillars: (i) trade facilitation, (ii) developing products and markets and, (iii) building capacity for institutions. Since its establishment, the Fund has worked on 15 projects, including customs modernization in Sao Tome and Principe, a Single Window in Senegal, and honey value chains in Rwanda and Zambia. Recommendations for institutions planning to implement a similar mechanism include the creation of a quick disbursement facility, co-financing, creating linkages with ongoing operations, supporting beneficiaries with project preparations, and working with partners. The next call for proposals is scheduled for July – September 2015.

## 7- Addressing market access issues and removal of NTMs in the MENA region

In a different presentation, the International Trade Centre (ITC) explained that the main objectives of ITC's Non-Tariff Measures (NTMs) Project are to:

i) To improve transparency of non-tariff measures (import and export regulations/procedures) by collecting official NTMs data with partners; and

ii) To identify private sector's perception of NTMs by conducting NTMs exporter/importer perception surveys at the country level. So far, surveys have been conducted in 23 countries including four Arab States (Egypt, Morocco, Tunisia and Palestine). Under the Aid for Trade Initiative for Arab States, additional surveys in Arab countries are foreseen.

According to the surveys in Arab States, these countries face the most burdensome NTMs when trading within the region. For agricultural and manufacturing exports, conformity assessment, rules of origin and technical requirements are the most difficult NTMs to deal with for intra-Arab trade. However, surveyed countries also stated that they face additional NTMs 'at home'. Export registration, other export-related measures and export inspections were most frequently mentioned as burdensome NTMs. The following recommendations are suggested to reduce burdensome NTMs in the Arab regions.

**Quality control:** Regional standardization and conformity assessments, harmonization of standards, conformity assessment procedures, mutual recognition, technical regulatory frameworks, support to enterprises to comply with technical details, transparency, and access to technical information.

**Transparency of trade rules:** A regional trade information portal on market access conditions (regulations and procedures) and trade opportunities – an extension of the Trade and Investment Facilitation Mechanism (Euro-Med TIFM), capacity building on regulatory surveillance for exporters (e-learning), and regional export guides for exporters.

**Customs clearance and border control:** National and regional Single Windows, electronic inter-connectedness of institutions ('paperless clearance'), efficient risk management (avoiding '100% inspections'), training of customs officials, and benchmarking and learning from success stories/best practices from other countries, particularly developing countries.

## 8- GCEL solutions to reducing trade costs: Integrated four dimensional digital economy

The Global Coalition for Efficient Logistics (GCEL), stated in its presentation that custodians of the world economy agree that increasing trade is the key to achieving sustained global economic growth and generating millions of new jobs. History confirms that increased trade can be achieved through real economic integration and trade efficiency. International organizations including the World Bank, WTO and UNCTAD have identified six elements as the key to increasing trade efficiency through technology and thereby reducing trade costs and increasing trade. To date, 68 per cent of G20 citizens through their governments,

industry associations, academia and private sector experts, have signed agreements to conduct trade efficiency assessments as the first step to deploy the Digital Economy. So far, 36 per cent have been completed and the results are staggering: 82 per cent have no system and 88 per cent want new digital tools through a global Digital Economy Platform (DEP) to improve their operations and market expansion.

Public and private sector organizations have come together under a non-profit Swiss based public private partnership known as the Global Coalition for Efficient Logistics (GCEL) to oversee and monitor the rapid global deployment of a DEP providing benefits to trade participants around the world. The DEP will be deployed by the world's top technology firms selected under an equal opportunity process in a manner that offsets monopolistic and geopolitical concerns, providing the desperately needed technology to the world's trade community continuously at no cost. The DEP will reduce trade costs, increase trade, ease access to trade finance, expand the services industry, optimize physical logistics infrastructure, secure borders and the flow of commerce, reduce carbon footprints, increase food safety, optimize disaster relief responses, and create millions of new jobs globally.

GCEL are calling on the WTO to embrace such an initiative since it is global in scope, founded on non-intrusive partnership not competition, and can be deployed rapidly around the globe, sustained and provided at no cost to the end user. It will assist in achieving the aims of the Trade Facilitation Agreement (TFA) and serve as the foundation of a truly integrated global digital economy towards achieving sustainable economic growth.

## 9- Donor perspective and views on addressing facilitation issues within Aid for Trade in Arab States

The Swedish International Cooperation Development Agency (SIDA) presented Sweden's Policy for Global Development and their Strategy for Development cooperation with the Middle East and North Africa for the period 2010–2015.

Regional Economic Integration: Sweden's support to Arab regional economic integration falls under the following auspices:

- trade quality infrastructure;
- trade food safety;
- the Aid for Trade Initiative for Arab States;
- trade policy support to LAS/PAFTA;
- competition policy and consumer protection; and
- The MENA–OECD Investment Program and Women in economy/economic rights.

The presentation provided recommendations on how trade facilitation can reduce trade costs for inclusive and sustainable growth.

- Balance between country and regional cooperation and international institutions. Who owns the development? AfTIAS future role to balance the processes?
- Ownership needs to be strengthened.
- National trade and development policies harmonized.
- Will the region be ready to transform its society if new political structures are based on old systems and trade arrangements?
- Aid for Trade – The Arab region needs to focus. Category 1, Trade policy and regulations.
- Aid for Trade measures today and funds in financial resources. Time to bring results and value for money.

**will trade development lead to private sector development? Public private partnerships?**

In her statement, Mrs Margareta Davidson Abdelli from SIDA stated that:

"it is obvious that donors represent one of the cornerstones of the AfTIAS, and therefore it was very important to gather their views and thoughts about the progress of the initiative and expectations from a development and international cooperation point of view. In this regard, Mrs Davidson mentioned that for the past five years Sweden has supported, through the Swedish International Development Cooperation Agency (SIDA), regional economic integration initiatives in the Arab Region. Sweden is amongst those countries supporting the Aid for Trade Initiative for Arab States (AfTIAS) and takes an active part in the work carried out under the trade portfolio aiming for increased intra-Arab trade and international trade.

New customs initiatives are under development among Arab Countries. The support, through the AfTIAS on cross boarder procedures, is being implemented with limited but positive results reducing obstacles that face trade facilitation and setting a new road for economic cooperation in a new position. Throughout its wide-reaching development activities, SIDA firmly adheres to the principle of sustainable development, which it perceives through the solid absorptive capacity of partner countries benefiting from development projects".



# Regional View

# Reducing trade costs: Moving forward

# Regional View

## 1- Agadir Technical Unit's efforts in facilitating trade in and across its Member States

The Agadir Technical Unit (ATU) presentation, mentioned that the Agadir Treaty signed between Morocco, Egypt, Jordan and Tunisia in 2004, aims at the following.

- To establish a free trade zone (FTZ) between the member countries.
- To promote economic cooperation, to support employment, to increase productivity, and consequently improve the standards of living in member countries.
- To coordinate global sectorial policies between member countries, mainly in the fields of services and customs, in order to provide adequate competitiveness.
- Bring regulations in member countries closer, to create the right environment for economic integration.

One of the important achievements of the Treaty is the 'accumulated origin'. Agadir Technical Unit activities include the following.

- To establish a dedicated website for the Unit offering information for the private and public sectors.
- To submit periodic reports to evaluate the Treaty and provide economic statistics.
- To establish specialized databases on some economic sectors.

# Reducing Trade Costs: Moving Forward

After intensive deliberations, the Seminar provided ways for how IsDB Member Countries, IsDB Group and the Aid for Trade Initiative should move forward in reducing trade costs for inclusive, sustainable growth. This section comes under two main parts: global and regional perspectives, and country perspectives.

## 1- Global and regional perspectives

• The Trade Facilitation Agreement is important in helping to reduce trade costs, and IsDB Member Countries (Arab Region) are encouraged to ratify the Agreement. Non-WTO members are encouraged to work towards their accession in order to fully benefit from the multilateral trading system. The Trade Facilitation Implementation Guide is a good tool to help countries implement this Agreement.

Bilateral and regional trade agreements should also be implemented in order to foster intra-Arab and international trade.

- Assistance to reduce trade costs should focus on border procedures, transport and network infrastructure, and non-tariff measures (NTMs). Border procedures (i.e. trade facilitation) should focus mainly on border agency cooperation, publication and availability of information. Transport infrastructure should focus on ports and roads (particularly transport corridors). Finally, NTMs should focus on quality control, transparency of trade rules, and customs clearance and border control.

- In addition to fostering private sector development, engaging with the private sector is crucial, particularly in understanding the challenges facing trade as well as in forming public private partnership to finance assistance for trade facilitation. Private sector engagement will also help foster employment, particularly for women and youth. Focusing on the business environment, exploring e-trade/e-commerce, increasing supply capacity and regional integration are recommended areas for intervention.

- Business Process Analysis (BPA) is the first step among others to follow in, order to find solutions to bottlenecks, issues and problems of trade facilitation and should be utilized.

- Following the African Development Bank's Africa Trade Fund model, IsDB Group should consider an Arab Region Trade Fund to assist in the implementation of the WTO Trade Facilitation Agreement and other trade facilitation measures.

- For results, donors and implementing agencies should enhance their reporting on the achievements of their Aid for Trade projects. IsDB Member Countries should also report on how Aid for Trade projects (national and donor interventions) are impacting on trade and development of their economies. There needs to be a greater link between trade and development.

- Initiatives to reduce trade costs should be undertaken at the regional level, particularly through the Aid for Trade Initiative for Arab States (AfTIAS). Furthermore, Aid for Trade to the Arab Region needs to focus on trade policy and regulations.

## 2- Thematic perspectives

Most of the expressed countries perspectives can be categorized under the following thematic perspectives:

| | |
|---|---|
| **Trade policies** | • Increase regional integration<br>• WTO accession<br>• Service sector liberalization |
| **Trade facilitation** | • Develop master plans for trade facilitation<br>• Improve cold storage facilities<br>• Prioritize standards and conformity assessment as well as laboratory capacities<br>• Establish single windows<br>• Improve border capacities: pre-arrival processing, clearing of goods, logistics support |
| **Private sector development** | • Improve the business environment especially for services<br>• Strengthen public private partnerships<br>• Promote SME exports and increase their competitiveness<br>• Reduce waiting times for business licences, e.g. registration as licensing |
| **Institutional capacity** | • Show AfT results, studies on achievements and obstacles of AfT<br>• Parliamentary legislative support<br>• Trade liberalization impact assessments<br>• Training on trade negotiations<br>• Increase technical capacity on trade facilitation and financing mechanisms<br>• Studies on supply chains and food traceability |

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Use of the term 'country' does not imply any judgement by the authors or IsDB Group as to the legal or other status of any territorial entity.

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